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Report on the midterm review of the UNICEF integrated budget, 2014-2017

Summary

In decision 2013/20, the Executive Board requested UNICEF to present the midterm review of the integrated budget 2014-2017 to complement the midterm review of the UNICEF Strategic Plan 2014-2017.

As an integral part of the UNICEF Strategic Plan, 2014-2017 (E/ICEF/2013/21), the Integrated budget 2014-2017 should also be considered in conjunction with the Report on the midterm review of the Strategic Plan, 2014-2017 and annual report of the Executive Director, 2015 (E/ICEF/2016/6) and its addenda.

UNICEF has revised its integrated resource plan for 2014-2017 taking into account actual revenue and expenditures for 2014, provisional estimates for 2015 and revised estimates for 2016-2017. Within the framework of the revised plan and taking into account the projected increase in total revenue of 15 per cent, from $16.3 billion to $18.8 billion, UNICEF proposes increasing the planned expenditure for programmes by 15 per cent to $17.1 billion, as compared to the initial plan of $14.8 billion. At the same time, UNICEF proposes maintaining the institutional budget at the initially approved level of $2,094.5 million for 2014-2017 with $1,039.3 million funding from regular resources (RR), $938.8 million from cost recovery and $116.4 million from other resources (OR). Compared to the initially approved integrated resource plan 2014-2017, the proportion of total resources utilized for the institutional budget in the revised 2014-2017 integrated resource plan would decrease from 11.9 per cent to 10.5 per cent.

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From the resources available for programmes, UNICEF proposes maintaining a budget from RR of $180.0 million and a ceiling from OR of $528.4 million, subject to the receipt of contributions to OR, for the Global and Regional Programme during 2014-2017.

A draft decision on the revised integrated resource plan, institutional budget and Global and Regional Programme is included in section VII.

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I. Introduction

1. This document presents the midterm review of the UNICEF integrated budget, 2014-2017, which is an integral part of the midterm review of UNICEF Strategic Plan, 2014-2017. The overall format is harmonized with the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA).

2. The Strategic Plan contains a single results framework for UNICEF, comprising seven outcome areas and three result areas on organizational effectiveness and efficiency. The integrated results and resources framework identifies how total resources available to UNICEF are allocated across these outcomes and results.

3. Further to Executive Board decision 2011/6, UNICEF uses an integrated resource plan for the presentation of budgetary information, which is also harmonized for use by UNDP and UNFPA.

II. Integrated resource plan

4. The integrated resource plan is one of the key budget tables in the harmonized presentation of budgetary information.

5. This section provides information on the revised integrated resource plan for 2014-2017 compared to the approved integrated resource plan for 2014-2017. The revised plan is based on 2014 actual expenditure, 2015 provisional estimates, and 2016-2017 revised estimates.

Overview: Comparison of approved and revised integrated resource plan, 2014-2017

6. Overall, the revised integrated resource plan for 2014-2017 is in line with the plan that was approved at the 2013 second regular session of the Executive Board (E/ICEF/2013/AB/L.4). Total income in the revised plan is projected to exceed the approved plan by 15 per cent, at $18.8 billion as compared to the approved plan of $16.3 billion. This is largely due to a projected increase of 29 per cent in OR income in response to emergencies and humanitarian crises. As a result, the proportion of RR to total income is projected to decrease from 35 per cent to 27 per cent in the revised plan, 2014-2017.

7. With the projected increase in revenue, total planned use of resources is expected to increase by 13 per cent, from $17.5 billion to $19.9 billion. This increase in planned use of resources is primarily for programmes, with an increase of 15 per cent from $14.8 billion (approved plan) to $17.1 billion (revised plan).

8. While increasing use of resources for programmes, the use of resources for the institutional budget has been maintained at the initially approved level.

9. Given the estimated increase in total resources available and the use of these additional resources for programmes, the proportion of total resources used for programmes increases from 84.5 per cent to 86.0 per cent, and planned use of total resources for the institutional budget decreases from 11.9 per cent to 10.5 per cent.

Integrated resource plan, 2014-2017

10. Table 1 (integrated resource plan, 2014-2017) provides information on the total available resources and the use of resources for all cost classification categories for 2014-2017. The table presents the integrated resource plan, 2014-2017 as approved by the Board (E/ICEF/2013/AB/L.4) and the revised integrated resource plan, 2014-2017.

Resources available

11. Total resources available in the originally approved plan were projected to be $18.6 billion, comprising $6.2 billion in RR and $12.4 billion in OR. The revised plan for 2014-2017 projects total available resources of $21.1 billion, of which $5.6 billion is RR and $15.5 billion is OR. The 13 per cent growth ($2.5 billion) in total available resources is comprised of a decrease of 10 per cent ($0.6 billion) in RR, offset by an increase of 25 per cent in OR ($3.1 billion).

12. Volatility in the currency markets has impacted the level of resources recorded in the past two years. The strengthening United States (US) dollar has negatively impacted the absolute levels of revenue recorded on non-US-dollar-based contributions. In 2015, due to the stronger US dollar, the impact on private sector contributions was approximately 15 per cent less US dollar revenue recorded.

13. UNICEF policy is to ensure the availability of RR equivalent to between three and six months of planned expenditure. This balance of available resources, also referred to as *working capital*, is considered prudent to ensure the continuity of programmes and other activities. Cash and other net assets represent available resources. Each year, UNICEF ensures that the cash balance complies with the minimum liquidity requirement. This has been the case to date and compliance is actively monitored throughout the budgeted period.

Use of resources

14. The approved plan forecasted total use of resources for 2014-2017 of $17.5 billion, comprising $5.9 billion RR and $11.6 billion OR (including cost recovery). The revised plan, 2014-2017 forecasts total use of resources of $19.9 billion, representing an increase of $2.4 billion (13 per cent) compared to the approved plan, 2014-2017.

15. Of the $19.9 billion, UNICEF proposes utilizing $17.6 billion for development activities (an increase of 15 per cent), $36.6 million for United Nations development coordination activities (unchanged), $1.4 billion for management activities (unchanged), and $734.1 million for special purpose activities (an increase of 7 per cent). Compared with the approved plan, 2014-2017, the proportion of total resources utilized for development activities in the revised plan is proposed to increase from 87.7 per cent to 88.9 per cent. The proportion of total resources utilized for management activities is proposed to decrease from 8.2 per cent to 7.2 per cent.

16. Within development activities, UNICEF proposes increasing the amount and proportion of resources available for programme from $14.8 billion (84.5 per cent) to $17.1 billion (86 per cent) from 2014 to 2017.

17. From the resources available for programmes, UNICEF proposes maintaining the approved budget of $180.0 million funded from RR and the approved ceiling of $528.4 million funded from OR for the Global and Regional Programme, 2014-2017, subject to the receipt of OR contributions.

18. UNICEF proposes maintaining the institutional budget at $2,094.5 million for 2014-2017. The institutional budget comprises the following resource requirements: $567.5 million for development effectiveness; $36.6 million for United Nations development coordination; $1,435.4 million for management; and $55.0 million for capital investments within special purpose.

19. Compared to the approved budget 2014-2017, the proportion of total resources utilized for the institutional budget is projected to decrease from 11.9 per cent to 10.5 per cent.

20. Of the $2,094.5 million institutional budget, $1,039.3 million is proposed to be funded from RR, $938.8 million from cost recovery from OR and $116.4 million from OR. Compared with the approved budget 2014-2017, the proportion of management activities funded from cost-recovery in the revised budget will increase from 54.8 per cent to 63 per cent. The proportion of RR available for programme activities in the revised budget is maintained at a similar level of 69.1 per cent as compared to initial plan of 69.6 per cent.

21. Consistent with the approved plan, UNICEF is including in the integrated budget and total use of resources, under special purpose activities, budgetary provisions for (a) private sector fundraising (PSFR); and (b) other amounts, including procurement services.

22. The resource requirements proposed under PSFR comprise the direct costs and investment costs supporting the fundraising and marketing activities of the National Committees for UNICEF and UNICEF country offices. The appropriation for these resource requirements is presented for approval by the Executive Board on an annual basis, in conjunction with the Private Fundraising and Partnerships workplan and budget. In response to a 2013 external audit recommendation to "consider presenting and reporting the budget for the PSFR activities of its country offices in an integrated manner", UNICEF included a provision of $43 million for 2016 funded from OR as part of its annual budget submission to the Executive Board in E/ICEF/2016/AB/L.1. A provision of $86.0 million funded from OR is included in the revised integrated resource plan to cover 2016 to 2017.

23. The authority to incur financial commitments for services provided by UNICEF, such as procurement services, is provided in the Financial Regulation on the administration and defrayal of costs of special accounts on behalf of others.

Sufficiency of reserves

24. UNICEF maintains reserves to fund its employee benefits liabilities, comprising after-service health insurance (ASHI) and end-of-service entitlements. At 31 December 2013, the actuarial value of these liabilities was $0.92 billion and accumulated reserves totalled $0.43 billion. As at 31 December 2015, provisional estimates show the actuarial liability at $1.12 billion and accumulated reserves at $0.48 billion. The accumulated reserves are projected to increase to $0.55 billion by 31 December 2017.

25. UNICEF continues to periodically monitor the strategy to fund the reserves in the longer term. This includes the accumulation of funds from payroll charges to the budgetary authorities and funding sources with which staff members are associated and, if year-end fund balances permit, an appropriate annual transfer of resources. In addition, UNICEF and a number of other United Nations agencies, including UNDP and UNFPA, have agreed to outsource the management of ASHI investments to two investment managers, which will contribute to increased funding for the ASHI reserve. UNICEF continues to actively fund the reserves, although it is important to note that changes in the funding deficit are mostly contingent on the results of the periodic actuarial valuation due to the sensitivity of the liability to this exercise.

Table 1
Integrated resource plan, 2014-2017

	Approved 2014-2017							*Revised 2014-2017*						
			Other resources							*Other resources*				
	Regular resources		*Programmes*	*Cost recovery*	*Total resources*		*Trust funds*	*Regular resources*		*Programmes*	*Cost recovery*	*Total resources*		*Trust funds*
	$m	*%*	*$m*	*$m*	*$m*	*%*	*$m*	*$m*	*%*	*$m*	*$m*	*$m*	*%*	*$m*
1. Resources available														
Opening balance	661.5		1 799.7	–	2 461.2		622.5	575.3		1 853.1	–	2 428.4		586.0
Income														
Contributions	5 353.0		10 616.0	–	15 969.0		–	4 697.7		13 685.7	–	18 383.4		–
Other income	280.0		32.0	–	312.0		–	402.5		–	–	402.5		–
Total income	5 633.0		10 648.0	–	16 281.0		–	5 100.2		13 685.7	–	18 785.9		–
Trust Fund receipts	–		–	–	–		7 432.0	–		–	–	–		7 577.0
Tax reimbursement adjustment	(96.0)		–	–	(96.0)		–	(76.6)		–	–	(76.6)		–
Total available	**6 198.5**		**12 447.7**	**–**	**18 646.2**		**8 054.5**	**5 598.9**		**15 538.8**	**–**	**21 137.7**		**8 163.0**
2. Use of resources														
A. Development														
A.1 Programmes	4 091.0	*69.6*	10 713.6	–	14 804.6	*84.5*	7 432.0	3 651.8	*69.1*	13 429.1	–	17 080.9	*86.0*	7 333.0
A.2 Development effectiveness	467.4	*8.0*	100.1	–	567.5	*3.2*	–	467.4	*8.8*	100.1	–	567.5	*2.9*	–
Subtotal	**4 558.4**	*77.6*	**10 813.7**	**–**	**15 372.1**	*87.7*	**7 432.0**	**4 119.2**	*77.9*	**13 529.2**	**–**	**17 648.4**	**88.9**	**7 333.0**
B. United Nations development coordination	20.3	*0.3*	16.3	–	36.6	*0.2*	–	20.3	*0.4*	16.3	–	36.6	*0.2*	–
C. Management														
C.1 Recurring	642.2	*10.9*	–	774.2	1 416.4	*8.1*	–	524.2	*9.9*	–	892.2	1 416.4	*7.1*	–
C.2 Non-recurring	6.5	*0.1*	–	12.5	19.0	*0.1*	–	7.0	*0.1*	–	12.0	19.0	*0.1*	–
Subtotal	**648.7**	*11.0*	**–**	**786.7**	**1 435.4**	*8.2*	**–**	**531.2**	*10.0*	**–**	**904.2**	**1 435.4**	*7.2*	**–**

	Approved 2014-2017							Revised 2014-2017						
			Other resources							Other resources				
	Regular resources		Programmes	Cost recovery	Total resources		Trust funds	Regular resources		Programmes	Cost recovery	Total resources		Trust funds
	$m	%	$m	$m	$m	%	$m	$m	%	$m	$m	$m	%	$m
D. Special purpose														
D.1 Capital investments	18.7	*0.3*	–	36.3	55.0	*0.3*	–	20.4	*0.4*	–	34.6	55.0	*0.3*	–
D.2 Private sector fundraising	454.0	*7.7*	–	–	454.0	*2.6*	–	410.6	*7.8*	86.0	–	496.6	*2.5*	–
D.3 Other	174.1	*3.0*	–	–	174.1	*1.0*	–	182.5	*3.4*	–	–	182.5	*0.9*	–
Subtotal	**646.8**	***11.0***	**–**	**36.3**	**683.1**	***3.9***	**–**	**613.4**	***11.7***	**86.0**	**34.6**	**734.1**	***3.7***	**–**
Institutional budget (A.2+B+C+D.1)	1 155.1	*19.7*	116.4	823.0	2 094.5	*11.9*	–	1 039.3	*19.4*	116.4	938.8	2 094.5	*10.5*	–
Integrated budget (A+B+C+D)	5 874.2	*100.0*	10 830.0	823.0	17 527.3	*100.0*	7 432.0	5 288.0	*100*	13 631.5	938.8	19 854.4	*100.0*	7 333.0
3. Closing balance of resources	324.3		794.6		1 118.9		622.5	314.7		902.5		1 283.3		

Note: Due to rounding, the totals may differ slightly from the sum of the columns.

III. Integrated results and resources framework

26. The UNICEF Strategic Plan, 2014-2017 remains the single results framework for UNICEF. Table 1 (integrated resource plan, 2014-2017) provides information on the use of resources by cost classification category. Table 2 (integrated results and resources framework, 2014-2017) identifies how total resources available to the organization were initially planned and subsequently revised for each of the outcomes and results.

27. In the past two years, substantive changes have been made in realigning headquarters functions, confirming responsibilities of field offices, strengthening regional office capacities, simplifying work processes and establishing the Global Shared Services Centre, implementing matrix management, and leveraging technology and innovation, as well as improvements in managing human resources. These developments are noted in the results and cluster comments below and additional details on results achieved and progress against planned targets are provided in the report on the midterm review of the Strategic Plan, 2014-2017 and annual report of the Executive Director, 2015 (E/ICEF/2016/6) and its addenda.

Table 2

Integrated results and resources framework, 2014-2017

Outcome/result	Functional cluster	Original 2014-2017				Revised 2014-2017			
		Regular resources	Other resources: Programme	Other resources: Cost recovery	Total resources	Regular resources	Other resources: Programme	Other resources: Cost recovery	Total resources
		$m	$m	$m	$m	$m	$m	$m	$m
Programmes		**4 091.0**	**10 713.6**	**–**	**14 804.6**	**3 651.8**	**13 429.1**	**–**	**17 080.9**
P1 Improved and equitable use of high-impact maternal and child health interventions from pregnancy to adolescence and promotion of healthy behaviours.		1 227.3	2 918.0	–	4 145.3	1 022.5	3 760.2		4 782.7
P2 Improved and equitable use of proven HIV prevention and treatment interventions by children, pregnant women and adolescents.		245.4	494.8	–	740.2	182.6	671.4		854.0
P3 Improved and equitable use of safe drinking water, sanitation, healthy environments and improved hygiene practices.		450.0	1 770.7	–	2 220.7	547.8	2 014.4		2 562.1
P4 Improved and equitable access to and use of nutritional support and improved nutrition and care practices		327.3	1 153.2	–	1 480.5	365.2	1 342.9		1 708.1
P5 Improved learning outcomes and equitable and inclusive education		654.6	2 306.3	–	2 960.9	730.4	2 685.8		3 416.2
P6 Improved and equitable prevention of and response to violence, abuse, exploitation and neglect of children		490.9	1 285.6	–	1 776.5	438.2	1 611.4		2 049.6

Outcome/result	Functional cluster	Original 2014-2017				Revised 2014-2017			
			Other resources				Other resources		
		Regular resources	Programme	Cost recovery	Total resources	Regular resources	Programme	Cost recovery	Total resources
		$m	$m	$m	$m	$m	$m	$m	$m
P7 Improved policy environment and systems for disadvantaged and excluded children, guided by improved knowledge and data		**695.5**	**785.0**	**–**	**1 480.5**	**365.2**	**1 342.9**		**1 708.1**
Organizational effectiveness and efficiency									
1 Higher quality programmes through results-based management		**467.4**	**100.1**	**–**	**567.5**	**467.4**	**100.1**	**–**	**567.5**
	Technical excellence in policy and programmes	394.1	84.7	–	478.8	394.1	84.7	–	478.8
	Technical excellence in procurement and management of supplies	47.5	5.4	–	52.9	47.5	5.4	–	52.9
	Technical excellence in humanitarian action	25.8	10.0	–	35.8	25.8	10.0	–	35.8
2 Improved management of financial and human resources in pursuit of results		**648.7**	**–**	**786.7**	**1 435.4**	**531.2**	**–**	**904.2**	**1 435.4**
	Independent corporate oversight and assurance	17.6	–	21.3	38.9	14.4		24.5	38.9
	Corporate financial, information and communication technology and administrative management	93.7	–	113.6	207.3	76.7		130.6	207.3
	Corporate external relations and partnerships, communications and resource mobilization	97.9	–	118.8	216.7	80.2		136.5	216.7

Outcome/result	Functional cluster	Original 2014-2017				Revised 2014-2017			
			Other resources				Other resources		
		Regular resources	Programme	Cost recovery	Total resources	Regular resources	Programme	Cost recovery	Total resources
		$m	$m	$m	$m	$m	$m	$m	$m
	Corporate human resources management	48.4	–	58.7	107.1	39.6		67.5	107.1
	Corporate leadership and direction	25.8	–	31.2	57.0	21.1		35.9	57.0
	Staff and premises security	6.0	–	7.3	13.3	4.9		8.4	13.3
	Field/country office oversight, management and operations support	359.3	–	435.8	795.1	294.2		500.9	795.1
3 Coordination of the United Nations Development System		**20.3**	**16.3**	**–**	**36.6**	**20.3**	**16.3**	**–**	**36.6**
	United Nations coherence and cluster coordination	20.3	16.3	–	36.6	20.3	16.3	–	36.6
Special purpose		**646.8**	**–**	**36.3**	**683.1**	**613.4**	**86.0**	**34.6**	**734.1**
Capital investments		18.7	–	36.3	55.0	20.4	–	34.6	55.0
Private sector fundraising		454.0	–	–	454.0	410.6	86.0	–	496.6
Other, including procurement services		174.1	–	–	174.1	182.5	–	–	182.5
Total use of resources		**5 874.2**	**10 830.0**	**823.0**	**17 527.3**	**5 284.1**	**13 631.5**	**938.8**	**19 854.4**

Note: Due to rounding, the totals may differ slightly from the sum of the columns.

Allocation of resources to programme outcomes

28. As described above, the proportions by outcome area during 2014-2017 will remain as presented to the Executive Board at the start of the Strategic Plan: health will continue to receive 28 per cent of total programme investment; HIV and AIDS, 5 per cent; water, sanitation and hygiene (WASH), 15 per cent; nutrition, 10 per cent; education, 20 per cent; child protection, 12 per cent; and social inclusion, 10 per cent.

Country programmes

29. Of the $17.1 billion available for programmes during 2014-2017 in the revised plan, UNICEF proposes channelling $16.4 billion, or 96 per cent, through country programmes of cooperation as compared to 95 per cent in the original plan.

30. Regular resources are allocated to individual country programmes of cooperation according to the modified system for allocation of regular resources for programmes approved by the Executive Board, with an emphasis on three core criteria: (a) under-five mortality rate; (b) gross national income per capita; and (c) child population.

31. The Executive Board approves indicative budgets for OR (regular) when approving country programme documents or equivalent, while OR (emergency) are programmed according to need.

Global and Regional Programme

32. UNICEF has maintained the global and regional budget as originally approved, funded $180.0 million from RR and $528.4 million from OR. The Global and Regional Programme contributes to each of the Strategic Plan's seven outcome areas by: (a) creating and disseminating global and regional public goods, including monitoring and analysing the situation of children for global accountability; (b) contributing to and strengthening relevant global and regional policy and coordination systems; and (c) contributing to the relevant global evidence base and normative guidelines. The Global and Regional Programme is integrated within the Strategic Plan and related results and resources framework. Global and regional programme resources are implemented by each of the seven UNICEF regional offices as well as relevant headquarters divisions and offices, including Programme; Data, Research and Policy; Supply; Evaluation; Emergency Programmes; and Communications.

Allocation of resources to organizational effectiveness and efficiency results

33. Resources for the organizational effectiveness and efficiency results are allocated in accordance with the harmonized cost classification and results-based budgeting presented at the 2011 first regular session and approved by the Executive Board in decision 2011/6.

34. Resources allocated to organizational units are grouped into functional clusters, which provide the link between results and resources. The functional clusters for management activities are harmonized among UNDP, UNFPA and UNICEF. Development effectiveness activities are more closely associated with the programme outcomes and delivery modalities of each of the agencies and are therefore not harmonized among the agencies.

35. Within UNICEF, resources for development effectiveness are allocated to three functional clusters: technical excellence in policy and programmes; technical excellence in humanitarian action; and technical excellence in procurement and management of supplies.

36. The paragraphs below provide a summary update by organizational effectiveness and efficiency result and functional cluster.

Result 1: Higher quality programmes through results-based management

Cluster:	Technical excellence in policy and programmes
Resources:	$478.8 million

37. Comprising the Programme Division, the Division of Data, Research and Policy (DRP), the Field Results Group (FRG) and the technical advisers in regional offices, this cluster is responsible for programme policy, guidance tools, technical support and quality assurance for the achievement of the seven programme outcomes of the Strategic Plan, including programmatic elements of the Gender Action Plan. The cluster draws on research results, lessons from evidence-based interventions and insights from practical programming experience.

38. The Field Results Group was established in late 2014 following approval by the Executive Board of the establishment of the post of Deputy Executive Director for Field Results. The Group has brought significant refinements to UNICEF country-level programming, monitoring and reporting and will continue to roll these out in 2016 and 2017. Working with DRP and other headquarters divisions and regional offices, FRG has developed an organization-wide skill development programme for results-based management.

39. The Group had led the significant improvements in the application of the harmonized approach to cash transfers (HACT) realized in 2015, and is now expanding this approach to more broadly strengthen the management of UNICEF engagement with implementing partners in all offices.

40. In 2015, UNICEF launched the Transparency Portal <http://Open.UNICEF.org>, which provides public access to a wide range of programme and financial data. This important advance in the organization's commitment to transparency has also led to the development of the eTools suite of software applications to support country office management of partnerships and programme monitoring.

Cluster:	Technical excellence in procurement and management of supplies
Resources:	$52.9 million

41. The strategic priorities of the Supply Division (SD) continue to be to ensure optimally efficient supply chains, provide timely and effective service delivery, including for emergencies, programmes and procurement services partners, and achieve targeted outputs that will have a significant impact on programme outcomes.

42. Engagement by the division in specific projects supporting supply chain strengthening, innovation and innovative financing initiatives to support programmatic work and outputs helped countries to address cash flow timing gaps. This facilitated timely delivery of health campaigns, by arranging more than $80 million pre-financing over the past two years and structuring special contracting arrangements that generated substantial financial savings on vaccines purchases of more than $240 million in 2014. In 2015, SD embarked on a normative financing initiative involving the private sector and ministries of health and finance from countries in sub-Saharan Africa, with the goal of supporting the expansion of government budgets dedicated to developmental objectives.

Cluster:	**Technical excellence in humanitarian action**
Resources:	**$35.8 million**

43. The Strategic Plan includes a strengthened focus on humanitarian action, including enhanced dedicated capacity for effective preparedness for response and early recovery to save lives and protect rights, as defined in the Core Commitments for Children in Humanitarian Action, as well as to address underlying causes of vulnerability to disasters, fragility and conflict through responses to humanitarian crises and through regular programmes.

44. UNICEF and partners responded to 294 humanitarian situations of varying scale in 98 countries in 2014. In 2015, UNICEF responded to 310 humanitarian situations in 102 countries, the largest number of countries ever and comprising 65 per cent of UNICEF country offices. This is the highest number of humanitarian situations since 2005, when UNICEF began surveying country offices.

45. The first two years of the Strategic Plan included a focus on testing the procedures that UNICEF had put in place to respond to large-scale emergencies, making internal adjustments and informing the inter-agency response. The Strengthening Humanitarian Action initiative increased the effectiveness of organizational adaptations, including expanding standing capacity and attracting national staff into the pool of surge staff; making greater investments in humanitarian learning; and revisions to UNICEF procedures and benchmarking approaches to better manage protracted crises, particularly conflict. The Emergency Programme Fund (EPF) disbursed about $105 million in 2014-2015, with no-regrets allocations to several major emergencies in 2014 pushing the biennial ceiling and prompting a request from UNICEF to the Executive Board in 2015 to increase the ceiling to $75 million annually.

Result 2: Improved management of financial and human resources in pursuit of results

Cluster:	**Independent corporate oversight and assurance**
Resources:	**7.3 million — Evaluation Office**
	$31.6 million — Office of Internal Audit and Investigations

46. In line with the revised evaluation policy of UNICEF, the Evaluation Office oversees the corporate evaluation function, including implementation of evaluation activities by decentralized organizational units.

47. For the period under review, with additional resources available through the Global and Regional Programme framework, the Evaluation Office was able to support the implementation of the revised evaluation policy, in particular by strengthening the independence of the Evaluation Office. The increase in predictable funding allowed the Evaluation Office to undertake medium-term planning as well as provided a basis for attracting OR to complement the core resources.

48. The incremental funding enabled the Evaluation Office to sustain its oversight of the function across UNICEF, including monitoring and support of activities at decentralized levels, and to plan the programme of global thematic evaluations for the four years of the UNICEF Strategic Plan, 2014-2017. Implementation of the programme of global thematic evaluations has been successfully carried forward, although some evaluations fell behind schedule and a number of planned evaluations were replaced by evaluations of UNICEF responses to major humanitarian emergencies over the past two years. Innovative methodological approaches were adopted for some evaluations, notably in an evaluability assessment of the UNICEF Strategic Plan. The Evaluation Office was also able to engage in several inter-agency evaluations and provided enhanced support to the United Nations Evaluation Group. The Evaluation Office also provided substantial support to the United Nations Independent System-Wide Evaluation Mechanism.

49. The Office of Internal Audit and Investigations continued to review and strengthen the UNICEF internal control framework, contributed to improved organizational management of fraud risks and, through assessment and capacity-building activities, to reducing the occurrence of fraud and loss, and further promoted transparency. Thirty-eight internal audit reports were issued during 2015, including 577 recommendations related to governance, programme management and operational support. During the year, 101 investigation cases were closed, 66 per cent within 9 months of receipt of the allegation.

Cluster:	Corporate financial, information and communication technology and administrative management
Resources:	$207.3 million

50. The Division of Financial and Administrative Management during 2014-2017 continues to focus on the preparation, reporting and interpretation of comprehensive financial and administrative information for external and internal stakeholders. The information will help to promote the efficient and effective use of resources, instill cost consciousness and inform decision-making based on value for money, facilitate improved governance, risk management and compliance activities, and ensure the provision of timely and appropriate advice on effectiveness and efficiency improvement initiatives, including with respect to structural changes. As a result of the common SAP platform and clear reporting guidelines based on the International Public Sector Accounting Standards (IPSAS), more effective donor reporting and

improved cash management and treasury systems have been implemented over the past two years.

51. As part of the four-year information and communication technology (ICT)-enabled investment portfolio, roll-out and implementation of ICT-enabled projects was supported, such as a model for remotely supported field offices, a new platform for the UNICEF digital presence worldwide, internal and external business intelligence dashboards in support of transparency initiatives informed by the International Aid Transparency Initiative, and cloud-based user productivity tools to support the "bring your own device" paradigm shift. Information and communication technology architectural build-out support was provided to support the establishment and functioning of the Global Shared Services Centre (GSSC).

52. The UNICEF ICT function is adjusting its strategy to realign its resources to a business- partnership-driven service organization. This change is mainly driven by new demands on the ICT function to expand its activities beyond support for back office, core business systems, to also provide externally focused ICT-enabled solutions for programme effectiveness.

Cluster:	Corporate external relations and partnerships, communications and resource mobilization
Resources:	$216.7 million

53. The Public Partnerships Division (PPD) continued to strengthen engagement with the public sector. Supporting activities include communicating and advocating for organizational priorities, including donor visibility and the critical importance of RR, supporting quality improvements in reporting to donors on the use of resources and organizational performance, developing approaches and frameworks for South-South or horizontal cooperation and for relationships with emerging donors, and exploring possibilities for public-private partnerships to mobilize resources and build capacity in programme countries.

54. As part of the realignment of headquarters' functions, in 2014 the Governance, United Nations and Multilateral Affairs Division was dissolved and its functions integrated into PPD. The team in PPD continues to lead the strategic engagement with Member States at country, regional and global levels, ensuring that the rights and well-being of children remain high on the development agenda, as well as advancing the United Nations coherence and reform agendas.

55. The Division of Communication (DOC) remains anchored to its core function of achieving the external relations goals of the UNICEF Strategic Plan, 2014-2017: to engage the public on children's rights and children's issues globally and to safeguard the UNICEF brand to ensure ongoing public trust and confidence in the work of the organization.

56. The work of DOC is aligned to one overarching outcome with four outputs that relate to the new structure of the divisions' assets and talents. Emphasis is placed on reinforcement of digital and public engagement through integration of external media platforms, brand building and a refocused advocacy function.

57. The Private Fundraising and Partnerships (PFP) Division is responsible for the strategic framework for UNICEF engagement with the National Committees. Included in this functional cluster are costs related to the continued reinforcement of the relationship with National Committees as well as private sector strategy development and implementation. The resources supporting specific National Committee fundraising activities are included under special purpose.

58. The Division underwent a significant restructuring in 2014 to align with the UNICEF Private Fundraising and Partnerships Plan 2014-2017. Following a decision in 2013 to discontinue all in-house operations and move to licensing and national production of UNICEF-branded cards and products, PFP closed the cards and products operation in 2015.

Cluster:	Corporate human resources management
Resources:	$107.1 million

59. The Division of Human Resources continues to address the evolving structural changes and consequent impact on staffing profiles anticipated across the organization, including as a result of countries graduating to middle-income status, effectiveness and efficiency initiatives, the requirement to reform the conditions of service and the systems that support human resource management in the United Nations system, and the maintenance of staff well-being, especially in critical incidents. The Division is pursuing key human resources initiatives that focus on outcomes and results, with the aim of achieving organizational excellence by transforming the function from an operational partner to a strategic player.

60. Recruitment activities are prioritized by leveraging more efficient and effective approaches to recruitment, including the use of direct selection based on generic vacancy announcements, and use of the New and Emerging Talent Initiative and the Junior Professional Officer Programme to attract, source and manage talent. Other activities include career development and learning, the establishment of a corporate framework for staff well-being and the provision of timely psychosocial support to staff members. A talent management system for e-recruitment has been launched and a new performance management tool (Achieve) will be rolled out to all UNICEF staff worldwide in 2016.

Cluster:	Corporate leadership and direction
Resources:	$57.0 million

61. The strategic approach of the Office of the Executive Director (OED) is to develop and maintain improved oversight, management and communications processes to provide leadership and executive direction in the areas of (a) innovation for development; (b) advocacy and communications, mobilizing global commitments and political will; (c) partnerships, engaging with partners, donors and societies in the changing development context; and (d) organizational performance, optimizing management structures, functions and systems based on consultative, transparent and risk-informed processes.

62. The establishment in 2014 of the fourth Deputy Executive Director for Field Results contributed to organizational initiatives to strengthen management for results through an increased focus on the coordination and guidance of regional and country office initiatives, including programme execution and HACT. At the same time, OED realigned a number of headquarters functions to better manage for results (e.g. bringing the Office of Emergency Programmes (EMOPS) and the Programme Division under one cone reporting to the same Deputy Executive Director).

Cluster:	**Staff and premises security**
Resources:	**$13.3 million**

63. The Office of Emergency Programmes coordinates UNICEF global security activities in close consultation with the United Nations Department of Safety and Security and other United Nations security management entities. Key activities include monitoring and assessing global threats and risks, providing guidance on security risk management, and developing policies and procedures aimed at creating an enabling environment for successful programme delivery, while maintaining the safety and security of UNICEF staff and assets. The Operations Centre supports this function for staff at all locations.

64. In the context of a worsening global security environment, the UNICEF Office of the Security Coordinator (OSC) continued to provide strategic security advice and analysis to senior management throughout 2014 and 2015 in the Syrian Arab Republic, Yemen and other countries experiencing complex emergencies; forecasts for potential emergencies, such as in Burundi and Guinea; and the recruitment of security advisers in Burundi, Chad, the Democratic Republic of the Congo, Iraq and Yemen.

65. Through participation in key inter-agency forums and five Inter-Agency Security Management Network missions, the OSC continued to engage with the United Nations Security Management System (UNSMS) to influence policy, processes and training to ensure that security directives align with the UNICEF mission. In the Democratic Republic of the Congo, Djibouti, Kenya and Somalia, EMOPS assisted in field-testing of a new security risk management e-tool, which was rolled out to all United Nations duty stations in December 2015.

Cluster:	**Field/country office oversight, management and operations support**
Resources:	**$795.1 million**

66. Senior leaders in each country and region contribute to the delivery of this result through representation and cooperation with national and local leaders, partner organizations, and experts from other agencies and regional intergovernmental groups advocating for children's rights, especially the most vulnerable, poor and marginalized, and through the effective and efficient use of resources made available to support programme delivery.

67. The approved allocation of $20 million for HACT has contributed to establishing capacity for improved governance, risk management and assurance activities for cash assistance transferred to implementing partners. Significant improvements in application of HACT were realized in 2015, and this approach is now expanding to more broadly strengthen the management of UNICEF engagement with implementing partners in all offices.

68. With the establishment of the GSSC in Budapest, much of the finance- and human resources-related transactional work is shifting from field and headquarters offices to the GSSC. This shift is providing an opportunity to review UNICEF office structures and staffing typologies to adapt to the changing programme-support requirements and how these are funded. The results of this review will be implemented in a phased manner and will inform the development of Strategic Plan, 2018-2021 and supporting integrated budget.

Result 3: Coordination of the United Nations Development System

Cluster:	United Nations coherence and cluster coordination
Resources:	$36.6 million

69. The Office of Emergency Programmes is responsible for the coordination of partners for the WASH, nutrition and education humanitarian clusters, along with areas of responsibility at the global level in child protection and preventing gender-based violence (GBV). In addition, EMOPS is responsible for establishing inter-agency humanitarian partnerships, developing humanitarian policies, and providing operational support and building capacity for timely and predictable responses to crises.

70. From 2014 to 2015, UNICEF-led or co-led cluster/area of responsibility rapid response teams contributed nearly 5,000 man-days of support to countries for coordination and information management, including responses to all Level 3 crises in 2014 and direct field support in 2015 to Afghanistan, the Central African Republic, Chad, Iraq, Liberia, Malawi, Nepal, Nigeria, Serbia, Sierra Leone, Somalia, South Sudan, the Syrian regional response, Ukraine and Yemen. Inter-cluster missions were also carried out in 2015 to explore strengthening coordination mechanisms for the Central African Republic, Nigeria and the Syrian regional response.

71. Also included in this cluster is an allocation of $14.0 million, representing the UNICEF contribution to the United Nations Resident Coordinator System, which seeks to ensure sufficient and sustainable resourcing for United Nations development system coordination.

Special purpose

72. The approved special purpose resource requirements totalled $683.1 million, comprising capital investments of $55.0 million, PSFR activities of $454.0 million, and other amounts, including $174.1 million for the management of procurement services. The revised plan proposes $734.1 million for special purpose activities, a total increase of $51 million, with $8.4 million in support of procurement services and a net increase of $42.6 million to support PSFR activities, with an allocation of

$86 million of OR and a decrease of $43.4 million in the use of RR for PSFR activities.

Cluster:	Capital investments
Resources:	$55.0 million

73. A total of $30.0 million was approved for investment in technology-supported organizational solutions, spanning efficiency gains, better business intelligence, robust repositories of knowledge and externally facing tools that increase dynamics and interactivity for advocacy and partnering. Implementation of these solutions is under way, covering the areas of: (i) knowledge management; (ii) human capital management; (iii) web content management; (iv) records and case management; (v) enhancements to VISION (the UNICEF Enterprise Resource Planning system); and (vi) ICT core support technology. Any additional resources required to complete and maximize the potential benefits from these projects will be managed and absorbed from within the approved institutional budget.

74. Of the $25.0 million approved for field office security and premises improvements, more than $10 million has been allocated to regional and country offices to support compliance with the Minimum Operating Security Standards. The use of these resources will continue to focus on (a) systematic identification of vulnerable offices; (b) prioritization of security investments or relocation requirements; and (c) reduced capital repair and maintenance costs.

Cluster:	Private sector fundraising
Resources:	$496.6 million

75. Included in special purpose, under PSFR, are the activities and estimated resource requirements of PFP to support the specific PSFR initiatives and research and development projects of the National Committees and UNICEF country offices. The activities related to implementation of the UNICEF Private Fundraising and Partnerships Plan 2014-2017 and the appropriation for the related resource requirements are presented for approval by the Executive Board on an annual basis.

76. Among the key achievements made by PFP in 2014-2015 were: $1,231 million and $1,313 million in revenue raised by the end of 2014 and 2015 (provisional), respectively, of which $553 million in 2014 and $550 million in 2015 were RR and $678 million in 2014 and $863 million in 2015 were OR.

Cluster:	Other, including procurement services
Resources:	$182.5 million

77. Also included in special purpose, under "Other", are the activities and estimated resource requirements covered by Financial Regulations 5.1 to 5.3 on special accounts administered by UNICEF and related administration costs. The

results and estimated resource requirements are provided for information in the integrated resource plan, 2014-2017 and the integrated results and resources framework, 2014-2017. These activities currently comprise the administration of procurement services and of the Office of the Special Representative of the Secretary-General on Violence against Children.

78. The Supply Division administers procurement services on behalf of Governments and other partners to complement UNICEF programmes. These services provide partners with economical access to selected products, which allows them to leverage programmatic results. These procurement services totalling $1.65 billion and $1.75 billion were provided in 2014 and 2015, respectively. For 2016-2017, the annual procurement services is forecasted to remain around $1.8 billion, including approximately $1.2 billion for Gavi, the Vaccine Alliance. While the amount is relatively steady, there are a few shifts, including a decrease in procurement of antiretroviral medicines for recipients of the Global Fund to Fight AIDS, Tuberculosis and Malaria, and an increase in cold chain procurement as Governments modernize and expand their capacity. In support of these developments, Gavi, the Vaccine Alliance has established a cold chain equipment fund of $200 million for the period 2016 to 2020. This fund requires co-financing by Governments, which could bring the total expenditure on cold chain via the fund to nearly $250 million over the period. Gavi, the Vaccine Alliance has asked UNICEF to be the procurement agency for the initiative.

79. From 2014 to 2015, UNICEF hosted and provided administrative services to the Office of the Special Representative of the Secretary-General on Violence against Children. This support is now gradually being assumed by the United Nations.

IV. Institutional budget

80. The institutional budget for 2014-2017 of $2,094.5 million under the revised integrated resource plan remains unchanged compared to the approved institutional budget for 2014-2017. Structural and post changes as well as realignment of results and resources are being managed within the approved institutional budget ceiling of $2,094.5 million.

81. The structure funded by the institutional budget supports a fairly significant increase in programme throughput of 15 per cent, from $14.8 billion in the approved plan, 2014-2017 to $17.1 billion in the revised plan, 2014-2017. This has partly been made possible through efficiency gains achieved through revisions to systems and processes, including maximizing the use of ICT tools, including ERP. At the same time, there is a recognition that the current institutional budget funding model needs to be revisited, since it does not allow UNICEF to expand its corporate support structure capacity to strengthen oversight, risk management and technical guidance to adequately accompany the growth in programme delivery.

82. In preparation for the next strategic plan 2018-2021 and accompanying integrated budget, UNICEF will review the current funding model of the institutional budget and build on the experience of UNDP, UNFPA and WFP, including looking at ways to further enhance results-based budgeting.

Overview of post changes

83. The total number of posts included in the institutional budget, 2014-2017 has increased by 187 since 2014, from 2,792 to 2,979 posts, as a result of emerging priorities in UNICEF operations and in response to increasing humanitarian crises and emergencies.

84. The flexibility to establish 10 additional senior posts at Director ("D") level is sought in order to provide the Executive Director with the means to swiftly address the organization's emerging business needs in two areas:

(a) The ability to respond to changing circumstances in programme countries by allowing for the upgrade of Representative posts when the increasing complexity of the portfolio warrants (i.e. in complex emergency situations).

(b) The ability to create a cadre of highly technical D-level posts in UNICEF core business areas (health, education, WASH, child protection, etc.) in order to attract and retain senior-level top talent and expertise for these critical functional areas.

V. Cost recovery

85. The integrated budget, 2014-2017 was prepared using the cost-recovery methodology and rates approved in Executive Board decision 2013/5.

86. The intention of the methodology and rate changes was to improve the proportional use of RR and OR to fund management activities and related costs. Cost-recovery information presented in table 3 below confirms progress made in this regard.

87. The update to table 3 (application of the revised cost-recovery methodology) provides information on the actual implementation and results using the revised cost-recovery methodology during the first half of the budgetary period (2014-2015), as compared to the projections. During the reporting period, 18 per cent of the institutional budget, subject to cost recovery, was funded from RR, with the balance of 82 per cent funded from OR. This proportionality of 18/82 of use of RR and OR/cost recovery, respectively, to fund the institutional budget is similar to the proportionality of total expenditure 22/78 — 22 per cent RR and 78 per cent OR.

88. The UNICEF effective cost recovery rate for the biennium 2014-2015 of 6.4 per cent is lower than the projected cost-recovery rate for 2014-2017 of 7.6 per cent. This is expected, given: (a) the approval of differentiated cost-recovery rates, including for thematic and private sector contributions; and (b) the fact that a higher proportion of expenditure in 2014-2015 was against contributions received/agreements signed prior to the introduction of the new cost recovery rates.

89. An independent and external assessment on the consistency and alignment of the cost-recovery methodology, as requested in Executive Board decision 2013/5, will provide further information on the application of the cost-recovery methodology and rates. A joint report will be presented at the 2016 second regular session of the Executive Boards of UNDP, UNICEF, UNFPA and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women).

Table 3
Application of the revised cost-recovery methodology

	Approved, 2014-2017			*Actuals, 2014-2015*		
	Regular resources (RR) $m	*Other resources (OR) $m*	*Total resources $m*	*Regular resources (RR) $m*	*Other resources (OR) $m*	*Total resources $m*
Total expenditure	**5 874.2**	**11 653.1**	**17 527.3**	**2 209.3**	**7 872.3**	**10 081.5**
Proportional use of RR and OR to fund integrated budget	*34%*	*66%*	*100%*	*22%*	*78%*	*100%*
Total institutional budget			2 094.5			910.6
Less: Development effectiveness activities			567.5			242.3
Less: United Nations development coordination activities			36.6			14.4
Less: Critical cross-cutting functions			220.0			73.4
Total institutional budget subject to cost recovery			**1 270.4**			**580.4**
Institutional budget — subject to cost recovery	**447.4**	**823.0**	**1 270.4**	**103.9**	**476.5**	**580.4**
Proportional use of RR and OR to fund institutional budget	*35%*	*65%*	*100%*	*18%*	*82%*	*100%*
Expenditure (excluding cost recovery)		10 830.0			7 395.8	
Cost recovery		**823.0**			**476.5**	
Effective cost-recovery rate		***7.6%***			***6.4%***	

VI. Reporting on implementation of the integrated budget

90. Given its reliance on voluntary contributions, UNICEF has established regular internal reporting processes that include continuous and rigorous review of the income and expenditure projections that form the basis of the integrated resource plan.

91. UNICEF will continue to report to the Executive Board, at its annual session, on the fulfilment of the results articulated in the Strategic Plan in the annual report of the Executive Director and, at its second regular session, on actual financial performance (in a format similar to the integrated resource plan) in the annual revision of the UNICEF Strategic Plan: updated financial estimates.

92. Since 2012, summary financial reporting (in a format similar to the integrated resource plan) based on the statement of comparison of budget and actual amounts and in compliance with IPSAS, has also been included in the UNICEF financial statements.

VII. Draft decision

93. The following draft decision is included for consideration by the Executive Board:

The Executive Board

1. *Welcomes* the midterm review of UNICEF integrated budget, 2014-2017, in response to the request of the Executive Board in its decision 2013/20;

2. *Approves* the revised integrated resource plan as the financial framework for the Strategic Plan, 2014-2017, based on projections of resources available, utilization and working capital required for liquidity;

3. *Notes and approves* the proposal made by UNICEF to maintain the following budgets as initially approved in decision 2013/20:

(a) For the Global and Regional Programme, a budget from regular resources of $180.0 million, subject to the availability of resources, and a ceiling from other resources of $528.4 million, subject to the receipt of contributions to other resources, for 2014-2017;

(b) An appropriation for the institutional budget, 2014-2017, of $1,978.1 million to cover the costs of development effectiveness, United Nations development coordination, management activities and, within special purpose activities, capital investments, and notes the revised projected funding for the appropriation is $1,063.7 million from regular resources and $914.4 million from cost recovery from other resources;

(c) In addition to the appropriation of $1,978.1 million, the projected funding for the institutional budget of $116.4 million, from other resources, for development effectiveness and United Nations development coordination, subject to the receipt of contributions to other resources;

4. *Notes*, within special purpose activities, the projected utilization of resources for:

(a) The amounts required in accordance with the Financial Regulations of UNICEF to defray the costs of UNICEF administration of special accounts on behalf of others, including procurement services and the Office of the Special Representative of the Secretary-General on Violence against Children;

(b) Private sector fundraising, for which budgets will be submitted annually for consideration and approval by the Executive Board at its first regular session;

5. *Requests* the Executive Director to:

(a) Provide actual financial information in the format of the integrated resource plan and to assess performance against the integrated budget in his annual report to the Executive Board;

(b) Submit to the Executive Board for approval annually at its second regular session an updated integrated resource plan, following review of the financial projections on which the plan is based;

6. *Notes* the information provided on the actual implementation of the revised cost-recovery methodology; and

7. *Requests* that UNICEF, in collaboration with UNDP, UNFPA and UN-Women, carry out an independent and external assessment in 2016 on the consistency and alignment of the new cost-recovery methodology with General

Assembly resolution 67/226 and present the findings at the 2016 second regular session of the Executive Board.

8. *Notes* the justification provided for the establishment of an additional 10 senior-level positions; and

9. *Approves* that authority is given to the Executive Director to establish 10 additional senior-level positions, to be funded from within the approved institutional budget for 2014-2017.